

Summary Financial Statements (Consolidated)
for 2nd Quarter of Fiscal Year 2020 (Year Ending March 31, 2021) (Japan GAAP)

October 28, 2020

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Scheduled date for filing of quarterly securities report: November 6, 2020
Scheduled date for start of dividend payments: December 2, 2020
Supplementary explanation materials prepared for quarterly financial results: Yes
Briefing held on quarterly financial results: Yes (for institutional investors and analysts)

(Amounts less than 1 million yen are rounded down)

1. Business results for 2nd Quarter of fiscal year 2020 (April 1, 2020 to September 30, 2020)

(1) Operating results (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY 2020 (year ending March 2021)	53,237	(17.9)	2,664	(62.9)	3,085	(58.6)	2,749	(41.2)
2Q of FY 2019 (year ended March 2020)	64,874	6.3	7,174	30.4	7,459	25.9	4,679	22.2

Note: Comprehensive income 2nd Quarter of FY 2020 (year ending March 2021): ¥2,302 million (-41.3%)
2nd Quarter of FY 2019 (year ended March 2020): ¥3,920 million (17.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q of FY 2020 (year ending March 2021)	36.80	—
2Q of FY 2019 (year ended March 2020)	62.61	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q of FY 2020 (as of September 30, 2020)	147,897	107,295	72.1	1,428.14
FY 2019 (as of March 31, 2020)	154,276	109,478	70.5	1,454.47

Reference: Equity capital 2nd Quarter of FY 2020 (as of September 30, 2020): ¥106,574 million
FY 2019 (as of March 31, 2020): ¥108,695 million

2. Dividends

	Annual dividends				
	First quarter-end	2nd Quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2019 (year ended March 2020)	—	28.00	—	56.00	84.00
FY 2020 (year ending March 2021)	—	20.00			
FY 2020 (year ending March 2021) (est.)			—	20.00	40.00

Note: Revisions to most recently released dividend forecast: None

*The detail of year-end dividend of FY2019(year ended March 2020): ordinary dividend ¥36.00, special dividend ¥20.00

3. Forecast earnings for fiscal year 2020 (April 1, 2020 to March 31, 2021)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	110,000	(17.3)	7,000	(56.7)	7,800	(53.8)	6,100	(42.3)	81.74

Note: Revisions to most recently released earnings forecast: None

Notes

- (1) Significant changes among subsidiaries during the fiscal year under review : None
(i.e. changes among specific subsidiaries resulting in a change in the scope of consolidation)
- (2) Application of accounting procedures specific to the preparation of the consolidated quarterly financial statements : Yes
- (3) Changes to accounting policy, changes to accounting forecasts, and restatements
 - [1] Changes arising from revision of accounting standards : None
 - [2] Changes to accounting policy other than those in [1] above : None
 - [3] Changes to accounting forecasts : None
 - [4] Restatements : None

(4) Number of shares issued and outstanding (common stock)

[1] Number of shares issued and outstanding at the end of the period (including treasury stock)	As of 2Q ended September 30, 2020	76,657,829 shares	As of March 31, 2020	76,657,829 shares
[2] Number of shares of treasury stock at the end of the period	As of 2Q ended September 30, 2020	2,033,209 shares	As of March 31, 2020	1,925,901 shares
[3] Average number of shares outstanding (over the fiscal year under review up to September 30, 2020)	As of 2Q ended September 30, 2020	74,696,737 shares	As of 2Q ended September 30, 2019	74,732,862 shares

Note: Note: The number of shares of treasury stock as of September 30, 2020, includes the Company’s shares held by the Director’s Compensation BIP Trust and the Employee Stock Ownership Plan (J-ESOP). (421,314 shares as of Sep. 30, 2020 and 314,300 shares as of March 31, 2020 respectively)
In addition, these Company’s shares are included in the treasury stock which is deducted in calculating the average number of shares outstanding.

Note: These quarterly Summary Financial Statements are not subject to the quarterly review procedures.

Note: Explanation concerning appropriate use of the earnings forecast, and other matters to note

Caution regarding forward-looking statements

Earnings forecasts and other forward-looking statements contained in this document are based on information available at the time of this document’s preparation and on certain assumptions that are deemed to be reasonable. A variety of factors could cause actual results to differ significantly from the forecasts.

How to obtain supplementary financial information and the contents of the scheduled briefing on financial results

The supplementary financial information will be available on the same day as the briefing via the TDnet. In addition, the financial briefing for institutional investors and analysts is scheduled for Friday, October 30, 2020 and the same explanation materials used in the briefing will be uploaded on the Amano Corporation website on the same day.

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1. Qualitative Information on Consolidated Financial Results for the Current Quarter

(1) Explanation of Business Results

During the second quarter of the current consolidated cumulative period, the world economy continues to suffer from the effects of COVID-19 and amid this crisis, in Japan, there scattered signs of rapid recovery triggered by the resumption of economic activity, but it seems that the future outlook for the Japanese economy remains uncertain due to the lingering concerns over the re-spreading of COVID-19.

Under such business environment, we the Amano Group set forth the management concept of "The 3rd Stage Towards a 100-year Company-Establishing a solid business foundation that leads to sustainable growth" in our 8th Medium-term Business Plan launched in April 2020, in which we will promote strategic investments in to growth drivers in order to respond to digital transformation (DX), and we shall establish unrivaled competitive advantage by raising the synergistic effects of the strengths of each of our business divisions.

During the second quarter under review, net sales were ¥53,237 million (down 17.9% year-on-year), operating profit was ¥2,664 million (down 62.9% yoy), ordinary profit was ¥3,085 million (down 58.6% yoy), and net income attributable to owners of the parent company was ¥2,749 million (down 41.2% yoy).

(Main factors behind the business results)

- (i) At non-consolidated Amano, despite the continuing tailwind of "work style reform", and business conditions are recovering after the cancellation of the state of emergency declaration, revenues are down year-on-year as business is yet to recover to last year's levels.
- (ii) At domestic group companies, restraints from going out is gradually easing and more people are moving by cars, and as such, the parking management service business has turned to a recovery trend, but sales are still down from last year. On the other hand, T&A cloud services remained firm driven by the strong interest from customers.
- (iii) In overseas markets, although Amano McGann in North America made progress reducing its fixed expenses, due to the COVID-19 curfew and protest demonstrations across the United States, sales revenue decreased significantly and the deficit widened. Sales in Asia and Europe also declined due to Government imposed curfews and other restraints on business activities.
- (iv) Furthermore, the net income attributable to owners of the parent company, includes the federal tax refunds in the United States.

The following are business results by segment:

Sales by business division

(Millions of yen)

Category	2Q of FY 2019 (year ended March 2020)		2Q of FY 2020 (year ending March 2021)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	14,445	22.3	12,613	23.7	(1,831)	(12.7)
Time Management Products	1,722	2.7	1,290	2.4	(431)	(25.1)
Parking Systems	32,131	49.5	25,829	48.5	(6,302)	(19.6)
Subtotal	48,299	74.5	39,733	74.6	(8,565)	(17.7)
Environment System business:						
Environmental Systems	11,238	17.3	8,535	16.1	(2,702)	(24.1)
Clean Systems	5,337	8.2	4,969	9.3	(368)	(6.9)
Subtotal	16,575	25.5	13,504	25.4	(3,071)	(18.5)
Total	64,874	100.0	53,237	100.0	(11,637)	(17.9)

Time Information System business

- Information Systems: Time & attendance (T&A), payroll, human-resource management, access control, and cafeteria systems
- Time Management Products: Time recorders and time stamps
- Parking Systems: Parking and bicycle-parking space management systems, and commissioned parking lot management service

The sales in this business totaled ¥39,733 million, down by ¥8,565 million (down 17.7%) year-on-year. The following is a breakdown of sales by business division.

• Information Systems ¥12,613 million (down 12.7% year-on-year)

In this business, the market is undergoing considerable changes. In Japan, the law related to work style reform was enforced in April last year, which requires companies to respond to new regulations such as the upper limit on working hours, which led to the need to improve productivity while making better use of the diverse human resources. In addition, due to the rapid changes in the method of working, such as telework, the focus is now on how companies will respond to digitization of personnel and labor management.

In response to these market conditions, Amano, as a specialist in "HR (Human Resources)", we have enhanced our solutions by adding access control / security to the "3-in-1" solution which consists of time & attendance (T&A), payroll, and human-resource management. We have also been working to bolster efforts to provide holistic solutions from system ownership to system use.

Domestic sales for the current term were as follows. For unconsolidated Amano, software sales decreased by ¥525 million (down 12.2%), hardware sales decreased by ¥652 million (down 32.7%), and sales generated by maintenance contracts and supplies services decreased by ¥115 million (down 5.2%) year-on-year. The decline in software sales is attributable to (i) although "TimePro-VG" for medium-sized and large-companies is on a recovery trend after the cancellation of the state of emergency declaration, it has not recovered to the level of the previous year, and (ii) orders for the "TimePro-NX" which targets SMEs, were sluggish because COVID-19 had a significant impact on their businesses. The decrease in hardware sales was due to restrictions on equipment installation work during the period of the emergency declaration. The cloud services developed by Amano Business Solutions Corporation continued to perform strongly boosted by increased telework users.

Overall overseas sales decreased by ¥488 million (down 9.1% year-on-year), as sales declined at both Accu-Time Systems, Inc. of North America Horoquartz S.A. in Europe.

• Time Management Products ¥1,290 million (down 25.1% year-on-year)

Although there is constant demand for standard devices, the trend toward lower priced models has continued in this business.

In this market environment, Amano has been working on expanding sales of its "TimeP@CK series" time recorders, which are equipped with PC compatible calculation software and offers improved usability and functionality. We also focused on expanding its customer base through the promotion of a "User-club," which is a fee-based service for members. In addition, we are proposing new ways of using time recorders with the launch of a compact model that comes with Wi-Fi as standard equipment enabling the use of cloud services.

Domestic sales for the current term decreased by ¥376 million (down 25.6%) year-on-year as sales declined for both standard and PC compatible calculating time recorders.

Overall overseas sales decreased by ¥99 million (down 29.0% year-on-year), as sales in North America and Europe fell while sales in Asia were flat.

• Parking Systems ¥25,829 million (down 19.6% year-on-year)

To respond to the increasingly diverse needs of parking lot management in Japan, the Parking Systems business division has been working on (i) improving the efficiency and reducing the cost of parking lot management, (ii) increasing the level of convenience for parking lot users, (iii) ensuring safety and

security in parking lots, (iv) enabling reservations and fee settlements via the Internet, and (v) providing ticketless, cashless, and touchless solutions.

In response to these market conditions, Amano strengthened its ties with major parking operators and, at the same time, concentrated on offering various services to small to medium-sized parking operators through its parking lot data centers. Amano also worked to improve the functionality and usability of its systems, such as introducing ticketless LPR systems and while strengthening proposals for improving parking lot management efficiency and making new proposals for enhancing user services, we also made efforts to expand into new markets, such as bicycle parking systems, security-gate systems and toll road systems, as well as.

As for domestic results for the current fiscal year, sales for unconsolidated Amano decreased by ¥2,728 million (down 29.5%) and sales of maintenance supplies decreased by ¥817 million (down 16.7%) due to less projects for parking operators. Sales were down at Amano Management Service due to a decline in the parking lot occupancy rate associated with the COVID-19 going-out-restraints. However, the number of parking bays under management increased by 21,700 (up 4.5%) compared to previous fiscal year end.

As for overseas results, sales at Amano McGann in North America decreased. Sales for parking management services were also down in Korea and Malaysia due to lockdowns and curfews, but was up in Hong Kong. Overall overseas sales decreased by ¥2,056 million (down 17.2% year-on-year).

Environment System business

- Environmental Systems: Standard dust collectors, large dust collection systems, pneumatic powder conveyance systems, high-temperature hazardous-gas removal systems, and deodorization systems
- Clean Systems: Cleaning equipment, dry-care cleaning systems, cleaning management services, and electrolytic water generators

The sales in this business totaled ¥13,504 million, down by ¥3,071 million (down 18.5%) year-on-year. The following is a breakdown of sales by business division.

- Environmental Systems ¥8,535 million (down 24.1% year-on-year)

In this business unit, the outlook for the business environment remains uncertain due to the sluggish demand for capital investment caused by COVID-19, in addition to the effects of the US-China trade conflict.

In such a market environment, Amano focused on capturing demand by actively promoting standard equipment mainly for the domestic auto industry where they continue to invest in machine tools, electronic parts, and next-generation automobile development. We also worked to expand orders from industries such as pharmaceutical, foods, and cosmetics. For overseas, while paying close attention to the investment trends of Japanese companies, we strengthened collaboration with our overseas group companies, strengthened our engineering, sales and service regime, and improved cost competitiveness by expanding local procurement.

During the current term for Amano, on an unconsolidated basis, domestic sales of standard equipment decreased by ¥703 million (down 19.0%), sales of large-scale systems decreased by ¥463 million (down 15.2%) and sales generated by maintenance contracts and supplies services decreased by ¥446 million (down 21.2%) year-on-year. Overall overseas sales decreased by ¥1,109 million (down 48.0% year-on-year) due to sales declines in Asia, mainly China and Thailand.

- Clean Systems ¥4,969 million (down 6.9% year-on-year)

As companies continue to reduce cleaning costs for this business, there is an increasing need for proposals to improve efficiency and quality along with the use of cleaning robots. Amid chronic labor shortages, the building maintenance industry is suffering from the added burden of COVID-19 related disinfection work.

In such a market environment, we have been working on proposals for unmanning cleaning work with the robotic scrubber "EGrobo" and expanding sales of the traditional auto floor scrubbers the "EG series" with improved safety features and usability.

In Japan for this fiscal year, although the demand for electrolyzed water generators (*) increased year-on-year for unconsolidated Amano, due to the sluggish sales of other cleaning equipment, overall domestic sales decreased by ¥127 million (down 12.5%). Sales of maintenance supplies decreased by ¥159 million (down 13.1%).

Overall overseas sales decreased by ¥35 million (down 1.3% year-on-year), primarily due to the negative impact of exchange rates on North American sales.

(*) When water with a small amount of salt is electrolyzed it generates (i) [hypochlorous acid water (acidic electrolyzed water)] and (ii) [alkaline electrolyzed water].

(i) has an excellent bactericidal effect, and (ii) is an effective detergent to remove lipids and proteins.

For more details on our electrolyzed water generators, please refer to our website (Japanese language).

(<https://www.amano.co.jp/Clean/products/denkai.html>)

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	2Q of FY 2019 (year ended March 2020)	2Q of FY 2020 (year ending March 2021)	Change	Percentage change (%)	2Q of FY 2019 (year ended March 2020)	2Q of FY 2020 (year ending March 2021)	Change	Percentage change (%)
Japan	42,908	34,836	(8,072)	(18.8)	8,140	4,707	(3,432)	(42.2)
Other Asia	9,629	7,811	(1,817)	(18.9)	890	203	(687)	(77.1)
North America	8,947	7,358	(1,589)	(17.8)	(195)	(671)	(475)	—
Europe	4,380	3,870	(509)	(11.6)	299	248	(50)	(16.9)
Total	65,865	53,876	(11,989)	(18.2)	9,134	4,488	(4,646)	(50.9)
Eliminations/ Corporate	(990)	(638)	—	—	(1,960)	(1,823)	—	—
Consolidated	64,874	53,237	(11,637)	(17.9)	7,174	2,664	(4,509)	(62.9)

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, Philippines, and Vietnam
(2) North America: United States, Canada and Mexico
(3) Europe: France, Belgium and Spain

Overseas sales

(Millions of yen)

	Overseas sales				Proportion of consolidated net sales accounted for by overseas sales (%)		
	2Q of FY 2019 (year ended March 2020)	2Q of FY 2020 (year ending March 2021)	Change	Percentage change (%)	2Q of FY 2019 (year ended March 2020)	2Q of FY 2020 (year ending March 2021)	Change
Other Asia	10,202	7,795	(2,407)	(23.6)	15.7	14.6	(1.1)
North America	8,316	6,848	(1,468)	(17.7)	12.8	12.9	0.1
Europe	4,355	3,775	(579)	(13.3)	6.7	7.1	0.4
Other regions	498	468	(30)	(6.1)	0.8	0.9	0.1
Total	23,373	18,887	(4,485)	(19.2)	36.0	35.5	(0.5)
Consolidated net sales	64,874	53,237					

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, Philippines, and Vietnam
(2) North America: United States and Canada
(3) Europe: France, Belgium and Spain
(4) Other regions: Central and South America
3. Overseas sales comprise sales by the Company and its consolidated subsidiaries to countries and regions other than Japan.

(2) Explanation of Financial Condition

(i) Assets, liabilities, and net assets

Total assets amounted to ¥147,897 million (down ¥6,379 million from the previous consolidated fiscal year-end).

- Current assets: a decrease of ¥6,327 million due to a decrease in notes and accounts receivables-trade, etc.
- Fixed assets: a decrease of ¥51 million due to an increase in lease assets (net) and a decrease in software, etc.

Total liabilities amounted to ¥40,602 million (down ¥4,196 million from the previous consolidated fiscal year-end).

- Current liabilities: a decrease of ¥5,254 million due to decreases in electronically recorded obligations and accrued income taxes, etc.
- Long-term liabilities: an increase of ¥1,058 million due to an increase in lease obligations, etc.

Net assets amounted to ¥107,295 million (down ¥2,182 million from the previous consolidated fiscal year-end).

- Shareholders' equity: a decrease of ¥1,672 million due to dividends paid, etc.
- Accumulated other comprehensive income: a decrease of ¥448 million due to a decrease in foreign currency translation adjustments, etc.

(ii) Cash flows

Consolidated cash and cash equivalents decreased by ¥2,559 million from the previous fiscal year-end, to a total of ¥49,575 million at the end of the first half. More specifically, the status of each type of cash flow during the first half and the underlying factors are as follows:

Net cash provided by operating activities totaled ¥6,989 million (a decrease in income of ¥2,710 million year-on-year).

- Main income factors:
 - Posting of a decrease in trade notes and accounts receivable amounting to ¥7,250 million and posting of depreciation and amortization amounting to ¥4,228 million.
 - Posting of income before income taxes amounting to ¥3,078 million.
- Main expenditure factors:
 - Posting of a decrease in trade payables amounting to ¥3,575 million and posting of income taxes paid amounting to ¥3,415 million.

Net cash used in investing activities totaled -¥3,621 million (an increase in cash outflow of ¥954 million year-on-year).

- Main income factors:
 - Posting of proceeds from withdrawal of time deposits amounting to ¥1,736 million.
- Main expenditure factors:
 - Posting of increase in time deposits amounting to ¥2,915 million and posting of payment for purchase of tangible fixed assets amounting to ¥1,044 million.

Net cash used in financing activities amounted to -¥5,562 million (an increase in cash outflow of ¥864 million year-on-year).

- Main income factors:
 - Posting of proceeds from sale and leaseback amounting to ¥856 million.
- Main expenditure factors:
 - Posting of dividends paid amounting to ¥4,202 million and posting of repayment of lease obligations amounting to ¥1,877 million.

(3) Explanation of Forward-looking Information, Including the Outlook for Consolidated Business Results

Although the second quarter of this fiscal year ended with lower sales and operating profit due to COVID-19, we were able to exceed our initial plans due to (i) the declines in environmental and clean businesses of unconsolidated Amano was less than initially expected and (ii) Amano Business Solutions, the domestic group company engaged in T&A cloud services, along with Horoquartz, our French arm in workforce management, remained relatively strong. However, we do recognize the looming uncertainties regarding the business in the third quarter and beyond, which stems from the growing concerns that COVID-19 may re-spread again, and the fact that order intake levels remain considerably lower than last year's levels. Therefore, at this time, we have decided NOT to change the full-year business forecast for the fiscal year 2020 announced on April 24, 2020. However, if the business environment changes in a way that it affects the business performance, we will disclose it in a timely manner.

(4) Basic Policy on Distribution of Profits and Payment of Dividends for This Second Quarter

Amano places great importance on its policy of paying dividends to shareholders. Its fundamental policy to return profits to shareholders is to continue to make stable ordinary dividend payments, make appropriate performance-based distributions, and buy back shares, as it deems necessary. The Company aims to maintain a dividend payout ratio of at least 40% on a consolidated basis, a total return ratio of at least 55%, and a net asset dividend rate of at least 2.5%.

In line with this policy, we plan to pay a dividend of ¥20 per share at the end of the current first half of the consolidated fiscal year, as expected at the beginning of the term.

2. Consolidated Quarterly Financial Statements and Primary Explanatory Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	FY 2019 (as of March 31, 2020)	FY 2020 (as of September 30, 2020)
Assets		
Current assets		
Cash and bank deposits	54,973	53,615
Notes and accounts receivable—trade	31,392	23,924
Marketable securities	1,743	2,216
Merchandise and finished goods	4,282	4,182
Work in process	622	710
Raw materials and supplies	4,796	4,936
Other current assets	2,968	4,888
Allowance for doubtful accounts	(321)	(342)
Total current assets	100,458	94,131
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	10,118	9,833
Machinery and vehicles (net)	902	982
Tools, furniture and fixtures (net)	2,380	2,359
Land	5,922	5,911
Lease assets (net)	6,298	7,688
Construction in progress	446	138
Total tangible fixed assets	26,069	26,914
Intangible fixed assets		
Goodwill	1,918	1,716
Software	4,752	4,149
Software in progress	1,118	1,126
Other	3,150	2,946
Total intangible fixed assets	10,939	9,938
Investments and other assets		
Investment securities	8,828	9,085
Distressed receivables	649	636
Fixed leasehold deposits	1,550	1,557
Long-term deposits	1,500	1,500
Net defined benefit assets	96	99
Deferred tax assets	3,086	2,927
Other	1,760	1,756
Allowance for doubtful accounts	(662)	(649)
Total investments and other assets	16,809	16,913
Total fixed assets	53,818	53,766
Total assets	154,276	147,897

(Millions of yen)

	FY 2019 (as of March 31, 2020)	FY 2020 (as of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	6,210	4,641
Electronically recorded obligations	6,845	4,769
Short-term bank loans	678	617
Lease obligations	2,641	3,162
Accrued income taxes	3,711	1,806
Accrued bonuses	2,842	2,034
Accrued officers' bonuses	130	-
Other current liabilities	13,604	14,378
Total current liabilities	36,664	31,410
Long-term liabilities		
Long-term accounts payable—other	0	-
Lease obligations	4,495	5,493
Deferred tax liabilities	136	121
Net defined benefit liabilities	2,736	2,748
Provision for stock benefit	198	246
Provision for directors' stock benefit	162	186
Asset retirement obligations	32	33
Other long-term liabilities	371	362
Total long-term liabilities	8,134	9,192
Total liabilities	44,798	40,602
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	80,204	78,750
Treasury stock	(4,224)	(4,443)
Total shareholders' equity	113,512	111,840
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	1,025	1,202
Foreign currency translation adjustments	(4,781)	(5,508)
Remeasurements of defined benefit plans	(1,061)	(959)
Total accumulated other comprehensive income	(4,817)	(5,265)
Non-controlling shareholders' interests	783	721
Total net assets	109,478	107,295
Total liabilities and net assets	154,276	147,897

(2) Consolidated Quarterly Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Quarterly Statements of Income

Second quarter ended September 30, 2020

(Millions of yen)

	FY 2019 (April 1, 2019- September 30, 2019)	FY 2020 (April 1, 2020- September 30, 2020)
Net sales	64,874	53,237
Cost of sales	36,054	30,557
Gross profit	28,820	22,680
Selling, general and administrative expenses		
Selling expenses	19,538	18,070
General and administrative expenses	2,108	1,944
Total selling, general and administrative expenses	21,646	20,015
Operating profit	7,174	2,664
Non-operating profit		
Interest income	86	94
Dividend income	78	85
Insurance income	59	64
Equity in earnings of affiliates	101	91
Other	140	239
Total non-operating profit	466	576
Non-operating expenses		
Interest expenses	46	74
Loss on foreign exchange	89	51
Foreign withholding tax	1	0
Other	43	30
Total non-operating expenses	180	155
Ordinary profit	7,459	3,085
Extraordinary income		
Gain on sale of fixed assets	3	2
Total extraordinary income	3	2
Extraordinary losses		
Loss on disposal of fixed assets	12	9
Loss on sale of fixed assets	0	-
Loss on valuation of investment securities	111	-
Special retirement payments	25	-
Total extraordinary losses	149	9
Income before income taxes	7,314	3,078
Income taxes	2,534	294
Net income	4,780	2,783
Net income attributable to non-controlling shareholders	100	34
Net income attributable to owners of the parent company	4,679	2,749

Consolidated Quarterly Statements of Comprehensive Income
 Second quarter ended September 30, 2020

(Millions of yen)

	FY 2019 (April 1, 2019- September 30, 2019)	FY 2020 (April 1, 2020- September 30, 2020)
Net income	4,780	2,783
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	17	178
Foreign currency translation adjustment	(949)	(760)
Remeasurements of defined benefit plans	72	101
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(859)	(481)
Comprehensive income	3,920	2,302
(Breakdown)		
Comprehensive income attributable to owners of the parent company	3,801	2,300
Comprehensive income attributable to non-controlling shareholders	119	2

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	FY 2019 (April 1, 2019- September 30, 2019)	FY 2020 (April 1, 2020- September 30, 2020)
Cash flows from operating activities		
Income before income taxes	7,314	3,078
Depreciation and amortization	3,377	4,228
Amortization of goodwill	272	176
Increase (decrease) in net defined benefit liabilities	88	173
Increase (decrease) in provision for stock benefit	103	67
Increase (decrease) in provision for directors' stock benefit	78	31
Increase (decrease) in allowance for doubtful accounts	(19)	24
Interest and dividend revenue	(164)	(180)
Equity in (earnings) losses of affiliates	(101)	(91)
Interest expenses	46	74
Foreign currency translation loss (gain)	39	18
Loss (gain) on sale of fixed assets	(3)	(2)
Loss on disposal of fixed assets	12	9
Loss (gain) on valuation of investment securities	111	-
Special retirement payments	25	-
(Increase) decrease in trade notes and accounts receivable	4,303	7,250
(Increase) decrease in inventories	(1,017)	(263)
Increase (decrease) in trade payables	(1,664)	(3,575)
Increase (decrease) in other current liabilities	56	813
Other	(889)	(2,148)
Subtotal	11,968	9,683
Receipts from interest and dividends	248	285
Interest paid	(46)	(74)
Special retirement payments	(9)	(11)
Income taxes paid	(2,694)	(3,415)
Income taxes refunded	233	520
Net cash provided by operating activities	9,699	6,989
Cash flows from investing activities		
Payment for acquisition of securities	(1,000)	(1,500)
Proceeds from redemption of securities	1,000	1,000
Payment for purchase of tangible fixed assets	(1,472)	(1,044)
Proceeds from sale of tangible fixed assets	5	3
Payment for acquisition of intangible fixed assets	(796)	(874)
Payment for acquisition of investment securities	(53)	(3)
Increase in time deposits	(2,352)	(2,915)
Proceeds from withdrawal of time deposits	2,013	1,736
Other	(10)	(25)
Net cash used in investing activities	(2,667)	(3,621)
Cash flows from financing activities		
Increase in short-term loans payable	157	57
Repayment for short-term bank loans	(185)	(86)
Payment for acquisition of treasury stock	(1)	(245)
Repayments of lease obligations	(1,157)	(1,877)
Proceeds from sale and leaseback	675	856
Dividends paid	(4,127)	(4,202)
Payment of dividends to non-controlling shareholders	(58)	(63)
Cash flows from financing activities	(4,697)	(5,562)
Effect of exchange rate changes on cash and cash equivalents	(274)	(365)
Net increase (decrease) in cash and cash equivalents	2,059	(2,559)
Cash and cash equivalents at the beginning of the year	42,487	52,134
Cash and cash equivalents at end of period	44,547	49,575

(4) Notes on Quarterly Consolidated Financial Statements

Notes Regarding the Premise of a Going Concern

None

Notes on Significant Changes in Shareholders' Equity

None

Application of Accounting Procedures Specific to the Preparation of the Consolidated Quarterly Financial Statements

(Calculation of tax expenses)

These amounts of tax expenses are calculated by multiplying the pre-tax net income and loss by an estimated effective tax rate for the year, determined using reasonable methods for pre-tax income for the fiscal year including this second quarter after applying tax-effect accounting.

In cases where an estimated effective tax rate cannot be adopted, the amounts are calculated by multiplying the legal effective tax rate after adjusting significant differences that are not in the scope of temporary differences from pre-tax net income and loss.

Additional information

(Directors' Compensation BIP Trust and Employee Stock Ownership Plan (J-ESOP))

In Amano Corporation and some of its subsidiaries, for the purpose of enhancing the motivation to contribute to the improvement of medium- to long-term business performance and to increase corporate value, we have adopted the Directors' Compensation BIP Trust system for directors (excluding outside directors and expatriates) and operating officers (excluding expatriates). We have also adopted the Employee Stock Ownership Plan (J-ESOP) system for employees who meet the prescribed requirements.

[1] Outline of the system

Under the system, a trust is established with money contributed by Amano Corporation as a source, stocks of Amano Corporation are acquired by the trust, and the stocks are granted to the eligible persons. Furthermore, as for the executive compensation BIP trust, the trust period will be extended for the same period as the initial trust period as a stock compensation plan linked to the period of the 8th medium-term business plan which started in April 2020.

Under the Directors' Compensation BIP Trust, in accordance with the stock distribution rules and based on points granted according to the attainment level of numerical targets related to their positions and management indicators, stocks of Amano Corporation are provided by the trust to directors and operating officers.

[2] Stocks of Amano Corporation that remain in the trust

Stocks of Amano Corporation that remain in the trust are recorded as treasury stock in the net assets section with the book value of the trust (excluding incidental expenses).

Book value of the treasury stock and the number of shares

As at the end of the second quarter of the current fiscal year ¥1,045 million, 421,314 shares

(The status of COVID-19 initiatives and the estimated accounting impact)

As an effort to ensure the health and safety of employees, Amano and its domestic group companies have adopted telework (work from home) and staggered working hours.

Overseas group companies respond in accordance with the instructions given, such as a curfew, by the local authorities of the countries or the states where they are located, and they generally work from home where a curfew is imposed.

As for our factory operations, domestic factories are now operating normally. Our U.S. factories are currently operating either normally or by minimum staffing depending on the enforcements issued by their local authorities. We have reflected the effects of COVID-19 in our full-year forecast as much as possible.

In addition, the Amano group companies makes accounting estimates for impairment loss on fixed assets and deferred tax assets recoverability based on information available at the time of preparing the consolidated quarterly financial statements.

Although the impact and severity of COVID-19 on our group will differ depending on the business, it is assumed that the impact would be large in the first half of this fiscal year ending March 2021 and would improve gradually after the second half despite some residual effects.

Furthermore, even if this round of COVID-19 infections settles down, if the global economic downturn is prolonged due to the spread of the infection by a second and third waves, the demand for our products and services would diminish. In addition, since sales activities will also be restricted, it may have a significant impact on the consolidated financial statements for this fiscal year ending March 2021.

Segment Information

[Segment Information]

I. 2nd Quarter of fiscal year 2019 (April 1, 2019 to September 30, 2019)

(Millions of yen)

	Reporting segments			Adjustments (Note 1)	Amounts reported in consolidated financial statements (Note 2)
	Time Information System business	Environment System business	Total		
Net sales					
To customers	48,299	16,575	64,874	—	64,874
Intersegment	—	—	—	—	—
Total	48,299	16,575	64,874	—	64,874
Segment profit (loss)	6,862	2,359	9,222	(2,048)	7,174

Notes: 1. The -¥2,048 million adjustment in segment profit indicates company-wide expenses not allocated to the reporting segments. Company-wide expenses consist mainly of general and administrative expenses that do not belong to any of the reporting segments.

2. Segment profit is reconciled with operating profit in the consolidated statement of income.

2. Information on Impairment Loss in Fixed Assets or Goodwill for Each Reporting Segment

None

II. 2nd Quarter of fiscal year 2020 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Reporting segments			Adjustments (Note 1)	Amounts reported in consolidated financial statements (Note 2)
	Time Information System business	Environment System business	Total		
Net sales					
To customers	39,733	13,504	53,237	—	53,237
Intersegment	—	—	—	—	—
Total	39,733	13,504	53,237	—	53,237
Segment profit (loss)	3,024	1,497	4,521	(1,857)	2,664

Notes: 1. The -¥1,857 million adjustment in segment profit indicates company-wide expenses not allocated to the reporting segments. Company-wide expenses consist mainly of general and administrative expenses that do not belong to any of the reporting segments.

2. Segment profit is reconciled with operating profit in the consolidated statement of income.

2. Information on Impairment Loss in Fixed Assets or Goodwill for Each Reporting Segment

None

Significant Subsequent Events

None